

SPECIAL NOTICE

November 10, 2003

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

Foreign Diplomats Tax Exemption Program

The Foreign Missions Act (22 USC 4301 et seq.) allows foreign diplomats (officials or missions) possessing tax exemption cards to make tax exempt purchases of goods and retail services. The exemption applies to foreign diplomats whose home countries offer similar exemptions to US diplomats.

Diplomatic tax exemption cards are issued by the US Department of State, Office of Foreign Missions. There are two types of cards: a Mission Tax Exemption Card and a Personal Tax Exemption Card.

The Mission Tax Exemption Card is issued to an individual authorized to make official purchases on behalf of the mission. The bill or invoice must be made out to the mission and payment can occur only by mission credit card or check (US Department of State rules do not allow cash payment).

The Personal Tax Exemption Card is issued to individuals associated with the mission who are authorized to receive the exemption for personal purchases. Only the person whose photograph appears on the front of the card may make purchases without paying tax. If there is any question about the person's identity, it is appropriate to ask for additional identification, such as a diplomatic identification card or driver's license.

Persons making exempt purchases must present one of these cards at the time of purchase. The exemption applies to state and local retail sales taxes, including local sales tax components such as the special hotel/motel, convention and trade center, King County food and beverage, and Regional Transit Authority (RTA) taxes.

Please note that exemption under this program may not apply to all types of purchases. As explained in the table below, a colored stripe on the card identifies the level of exemption. **Sellers should be aware of the restrictions to this exemption program before making an exempt sale.**

Purchase Restrictions for Tax Exemption Cards

<i>Stripe</i>	<i>Color Restriction</i>
Blue	Exemption applies to all purchases including lodging, meals, and car rentals. Vehicle purchases require Office of Foreign Missions approval.
Yellow	Exemption applies to all purchases except restricted categories identified on the card. Vehicle purchases require Office of Foreign Missions approval.



Purchase of vehicles under the Foreign Diplomats Tax Exemption Program

Sellers must follow these procedures when authorizing a diplomatic tax exemption on the purchase of a vehicle:

1. The seller is required to examine and retain a copy of the purchaser's Mission Tax Exemption Card, Personal Tax Exemption Card, or Protocol Identification Card as proof that the purchaser is a diplomatic agent or is authorized to make official purchases on behalf of a diplomatic mission. Due to reciprocity, some diplomatic agents who are not eligible for a tax exemption card may be eligible for exemption from taxes on vehicles. In this event, the seller must examine and keep a copy of the diplomatic agent's protocol identification card.
2. Before completing the sale and allowing the tax exemption, the seller must contact the Office of Foreign Missions for approval or denial of the tax exemption. The seller may call the Washington, D.C. office at (202) 895-3563 or the San Francisco office at (415) 744-2910.
3. The Office of Foreign Missions will provide the seller with a letter stating if the purchaser is eligible for a sales or use tax exemption. If the tax exemption is denied, the purchaser must pay the sales tax to the seller and proof of payment must be sent to the Office of Foreign Missions. This amount will be credited against the federal surcharge imposed by the State Department at the time the vehicle is registered with the Office of Foreign Missions as is required under federal law.

Recordkeeping Requirements

Sellers must keep invoices or other written evidence of sale to support any deduction claimed on excise tax returns for sales to foreign diplomats. The invoice must show the name of the purchaser, name of the mission, tax exemption number, expiration date of the Tax Exemption Card, and minimum level of exemption specified on the Tax Exemption Card.

Seller's Business and Occupation Tax

Income from the sale of goods and retail services to foreign diplomats remains subject to B&O tax under the retailing classification. To report such sales, include the sale in the gross amount reported under the retailing B&O tax classification and the retail sales tax line. A deduction may be taken on the retail sales tax line in column 2 of the return and explained on the deduction detail sheet as "sales to foreign diplomats" on the "other deduction" line.

For more information, contact the Telephone Information Center at 1-800-647-7706.

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